

AUTHORIZATION TO 1) ENTER INTO A PURCHASE AND SALE AGREEMENT WITH CHICAGO NEIGHBORHOOD INITIATIVES, INC. ("CNI") AND SAFEWAY CONSTRUCTION COMPANY, INC. ("SCC"), ACTING THROUGH A TO-BE FORMED JOINT VENTURE ENTITY; 2) SUBMIT A DISPOSITION APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ("HUD") FOR THE SALE OF CHICAGO HOUSING AUTHORITY ("CHA") LAND LOCATED WITHIN THE IDA B. WELLS HOMES DEVELOPMENT (THE "CHA LAND") AND TO DEDICATE APPROXIMATELY AN ACRE OF CHA LAND AS A NEW 38TH STREET; 3) EXECUTE A DEED TO CONVEY THE CHA LAND IN FEE SIMPLE TO CNI AND SCC ACTING THROUGH A TO-BE-FORMED JOINT VENTURE ENTITY; 4) ENTER INTO AN INTERGOVERNMENTAL AGREEMENT ("IGA") WITH THE CITY OF CHICAGO FOR LAND EXCHANGE; AND 5) EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE TO IMPLEMENT THE FOREGOING.

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners ("Board") authorize the Chief Executive Officer ("CEO") or his designee to 1) Enter into a Purchase and Sale Agreement with Chicago Neighborhood Initiatives, Inc. ("CNI") and Safeway Construction Company, Inc. ("SCC"), acting through a to-be formed joint venture entity; 2) Submit a Disposition application to the United States Department of Housing and Urban Development ("HUD") for the sale of Chicago Housing Authority ("CHA") land located within the Ida B. Wells Homes development (the "CHA Land") and to Dedicate approximately an acre of CHA land as a new 38th street; 3) Execute a deed in fee simple to CNI and SCC acting through a to-be-formed joint venture entity; 4) Enter into an Intergovernmental Agreement ("IGA") with the city of Chicago for a Land Exchange; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The Deputy Chief of Development, Office of the General Counsel and Department of Procurement and Contracts have completed all necessary due diligence to support submission of this initiative and recommend approval of this item accordingly.

CORPORATE GOAL #1

The proposed development supports CHA's corporate goal to reimagine the Plan for Transformation by redeveloping CHA land within the Ida B. Wells development, and coordinate public and private investments to develop healthy, vibrant communities.

FUNDING: No Funding Required

M/W/DBE & SECTION 3 PARTICIPATION:

M/W/DBE Participation:

Direct 40 % MBE/WBE/DBE

Section 3:

(#) Hiring 10 (\$) Subcontracting _____ (\$) Other Economic Opportunities _____

GENERAL BACKGROUND

The Ida B. Wells Homes, Madden Park Homes and Clarence Darrow Homes commonly known as Madden Wells Darrow are a part of CHA's plan to transform blighted neighborhoods into vibrant residential, retail and commercial communities. Madden Wells Darrow has completed two phases of its redevelopment into what is now the Oakwood Shores mixed income residential community which includes the Oakwood Shores Terrace Mercy Hospital and Medical Center. In order to sustain its vibrancy, Oakwood Shores is in desperate need of retail and grocery stores. To that end, CNI, an Illinois not-for-profit corporation and SCC, an Illinois corporation intends to form a joint venture entity (such entity referred to herein as "Developer") and, in partnership with Mariano's Market, they are proposing to develop a grocery store and complementary retail space on the CHA Land.

The CHA Land that the Developer seeks to acquire and develop is within the Ida B. Wells Homes development. More specifically, it is approximately 8.2 acres of real property bounded by East 38th Street on the north, South Martin Luther King Drive on the west, East Pershing Road on the south, and South Rhodes Avenue on the east. Additionally, CHA shall dedicate approximately one acre of its land for a new 38th Street and the city of Chicago shall vacate a portion of Vernon Avenue in support of the development. CHA and the city of Chicago shall enter into an IGA to effect the dedication and vacation of the streets. Upon construction completion, Mariano's Market intends to lease space for their grocery store and to use its best efforts to recruit CHA residents for permanent jobs.

The Developer has offered to purchase the CHA Land for the sale price of Five Million Five Hundred Thousand and No/100 Dollars (\$5,500,000). Three appraisals were obtained to assess the value of the CHA Land. CHA commissioned two of the appraisals and the Developer commissioned one appraisal. The initial appraisal commissioned by CHA valued the CHA Land to be Seven Million Two Hundred Thousand and No/100 Dollars (\$7,200,000) to Nine Million and No/100 Dollars (\$9,000,000) but the appraisal commissioned by the Developer gave the CHA Land a value of Four Million Two Hundred Thousand and No/100 Dollars (\$4,200,000). The developer initially offered the value given in its appraisal with commensurate benefits. Due to the vast difference between the two appraisals CHA commissioned another appraisal. The third appraisal gives the CHA Land a value of Six Million One Hundred Thousand and No/100 Dollars (\$6,100,000). Based on this appraisal, the Developer increased its offer to \$5,500,000.

There are conditions on the CHA Land that further reduce its market value. An easement is recorded against a section of this land that limits its use for the benefit of the Metropolitan Water Reclamation District deep tunnel infrastructure. Additionally, the land includes underground utilities that must be removed at the purchaser's expense to prepare the site for development activities and at a cost of \$615,000. These additional contributing factors further reduce the land's value and, as a result, CHA believes that the CNI offer of \$5,500,000 represents a fair value for the property.

The offered purchase price is subject to adjustments based on the results of due diligence investigations including but not limited to environmental assessments, geotechnical studies, traffic

studies, utility studies and feasibility studies that demonstrate that the Developer's projected budget is insufficient to address the conditions revealed by these investigations. It is also contingent upon CHA's agreement to file an application with the Chicago Department of Transportation for the vacation of Vernon Avenue located within the boundaries of the CHA Land. Additionally, CHA has agreed to dedicate land for the new 38th Street that will serve as the northern boundary for the proposed commercial development.

The commensurate benefits offered include awarding forty percent (40%) of the construction contracts to MBE/WBE/DBE firms and hiring a minimum of 10 CHA Section 3 residents in construction jobs.

In accordance with federal regulations, CHA has consulted with the residents who will be affected by the proposed disposition and obtain written comments from the residents to be submitted to HUD.

The Board action recommended in this item complies in all material respects with all applicable CHA board policies.

The Chief Housing Officer concurs with the recommendation to: 1) Enter into a Purchase and Sale Agreement with Chicago Neighborhood Initiatives, Inc. ("CNI") and Safeway Construction Company, Inc. ("SCC"), acting through a to-be formed joint venture entity; 2) Submit a Disposition application to the United States Department of Housing and Urban Development ("HUD") for the sale of Chicago Housing Authority ("CHA") land located within the Ida B. Wells Homes development (the "CHA Land") and to Dedicate approximately an acre of CHA Land as a new 38th Street; 3) Execute a deed in fee simple to CNI and SCC acting through a to-be-formed joint venture entity; 4) Enter into an Intergovernmental Agreement ("IGA") with the city of Chicago for a Land; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

The CEO/President recommends approval to 1) Enter into a Purchase and Sale Agreement with Chicago Neighborhood Initiatives, Inc. ("CNI") and Safeway Construction Company, Inc. ("SCC"), acting through a to-be formed joint venture entity; 2) Submit a Disposition application to the United States Department of Housing and Urban Development ("HUD") for the sale of Chicago Housing Authority ("CHA") land located within the Ida B. Wells Homes development (the "CHA Land") and to Dedicate approximately an acre of CHA Land as a new 38th Street; 3) Execute a deed in fee simple to CNI and SCC acting through a to-be-formed joint venture entity; 4) Enter into an Intergovernmental Agreement ("IGA") with the city of Chicago for a Land Exchange; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

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RESOLUTION NO. 2014-CHA-52

WHEREAS, the Board of Commissioners has reviewed the Board Letter dated May 14, 2014 entitled Authorization to 1) Enter into a Purchase and Sale Agreement with Chicago Neighborhood Initiatives, Inc. ("CNI") and Safeway Construction Company, Inc. ("SCC"), acting through a to-be formed joint venture entity; 2) Submit a Disposition application to the United States Department of Housing and Urban Development ("HUD") for the sale of Chicago Housing Authority ("CHA") land located within the Ida B. Wells Homes development (the "CHA Land") and to Dedicate approximately an acre of CHA Land as a new 38th Street; 3) Execute a deed in fee simple to CNI and SCC acting through a to-be-formed joint venture entity; 4) Enter into an Intergovernmental Agreement ("IGA") with the city of Chicago for a Land Exchange; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, the Board of Commissioners authorizes the Chief Executive Officer or his designee to 1) Enter into a Purchase and Sale Agreement with Chicago Neighborhood Initiatives, Inc. ("CNI") and Safeway Construction Company, Inc. ("SCC"), acting through a to-be formed joint venture entity; 2) Submit a Disposition application to the United States Department of Housing and Urban Development ("HUD") for the sale of Chicago Housing Authority ("CHA") land located within the Ida B. Wells Homes development (the "CHA Land") and to Dedicate approximately an acre of CHA Land as a new 38th Street; 3) Execute a deed in fee simple to CNI and SCC acting through a to-be-formed joint venture entity; 4) Enter into an Intergovernmental Agreement ("IGA") with the city of Chicago for a Land Exchange; and 5) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

